

12. Marketing and Regulatory Programs

■ Agricultural Marketing Service

When you visit the grocery store, you know you'll find an abundance and variety of top-quality produce, meats, and dairy products. If you're like most people, you probably don't give a second thought to the marketing system that brings that food from the farm to your table. Yet, this state-of-the-art marketing system makes it possible to pick and choose from a variety of products, available all year around, tailored to meet the demands of today's lifestyles. Millions of people—from grower to retailer—make this marketing system work. Buyers, traders, scientists, factory workers, transportation experts, wholesalers, distributors, retailers, advertising firms—in addition to the Nation's farmers—all help create a marketing system that is unsurpassed by any in the world. And USDA's Agricultural Marketing Service (AMS) helps make sure the U.S. marketing system remains world-class.

Services to Promote Quality: Grading, Quality Standards, and Certification

Wherever or whenever you shop, you expect good, uniform quality and reasonable prices for the food you purchase. AMS quality grade standards, grading, certification, inspection, and laboratory analysis are voluntary tools that industry can use to help promote and communicate quality and wholesomeness to consumers. Industry pays for these services and since they are voluntary, their widespread use by industry indicates they are valuable tools in helping market their products.

USDA quality grade marks are usually seen on beef, lamb, chicken, turkey, butter, and eggs. For many other products, such as fresh and processed fruits and vegetables, the grade mark isn't always visible on the retail product. In these commodities, the grading service is used by wholesalers, and the final retail packaging may not include the grade mark. However, quality grades are widely used—even if they are not prominently displayed—as a “language” among traders. They make business transactions easier whether they are local or made over long distances. Consumers, as well as those involved in the marketing of agricultural products, benefit from the greater efficiency permitted by the availability and application of grade standards.

Grading is based on standards, and standards are based on measurable attributes that describe the value and utility of the product. Beef quality standards, for instance, are based on attributes such as marbling (the amount of fat interspersed with lean meat), color, firmness, texture, and age of the animal, for each grade. In turn, these factors are a good indication of tenderness, juiciness, and flavor of the meat—all characteristics important to consumers. Prime, Choice, and Select are all grades familiar to consumers of beef.

Standards for each product describe the entire range of quality for a product, and the number of grades varies by commodity. There are eight grades for beef, and three each for chickens, eggs, and turkeys. On the other hand, there are 45 grades for cotton, 26 grade standards or specifications for dairy products, and more than 312 fruit, vegetable, and specialty product standards.

■ **Facts about grading:**

From October 1997 through September 1998, USDA graded 30 percent of the shell eggs and 95 percent of the butter produced in the United States. Nearly 83 billion pounds of fresh fruits and vegetables and more than 11 billion pounds of processed fruits and vegetables received a USDA grade mark. Nearly all of the meat industry requests AMS grading services: USDA grades were applied to 83 percent of all beef, 91 percent of all lambs, 23 percent of all veal and calves, 69 percent of all turkeys, and 41 percent of all chickens and other poultry marketed in this country. USDA also graded more than 98 percent of the cotton and 97 percent of the tobacco produced in the United States. In addition 88 percent of the butter sold in consumer size packages is marketed bearing the USDA grade shield.

The food testing side of the AMS program has nine user-funded laboratories performing numerous microbiological, chemical, and physical analyses on a host of food and fiber commodities, including processed dairy products, meat, poultry, egg products, and fruits and vegetables. This testing supports AMS purchases for the National School Lunch Program and other domestic feeding programs, troop ration specifications for the Department of Defense, export of U.S. food to foreign countries, laboratory quality control and assurance programs, and testing for aflatoxin in peanut products.

In addition to grading and laboratory services, USDA provides certification services, for a fee, that facilitate ordering and purchase of products used by large-volume buyers. Certification assures buyers that the products they purchase will meet the terms of their contracts—with respect to quality, processing, size, packaging, and delivery. If a large buyer—such as a school district, hospital, or prison—orders huge volumes of a particular product such as catsup or processed turkey or chicken, it wants to be sure that the delivered product meets certain needs. Too much money is involved to risk getting tomato soup when you need catsup, and meals can't be postponed while the mistake gets corrected. Graders review and accept agricultural products to make sure they meet contract requirements and specifications set by private-sector purchasers. They also certify food items purchased for Federal feeding programs.

AMS has developed quality assurance (QA) services that include Hazard Analysis and Critical Control Point (HACCP) and International Organization for Standardization (IOS)-based programs. These programs ensure and document that companies' operations are in compliance with provisions of contracts and/or their own standards and procedures. QA services are voluntary, hourly fee-based, and

value-added. HACCP concepts and procedures have been recommended by the National Academy of Sciences for application in the food industry, and IOS procedures are becoming an international norm for some processes. Another Quality Assurance activity performed by AMS is the accreditation or certification of laboratories whose customers need the testing service of these laboratories to facilitate the export of U.S. products. In addition, AMS' laboratories are currently pursuing accreditation under IOS/IEC Guide 25, an internationally recognized guide for quality systems in laboratory operations.

AMS' Dairy programs conducts comprehensive evaluations of dairy and related products manufacturing plant facilities and equipment to assure their eligibility to receive grading service and display the grade shield on products. Associated with this service is a sanitary design evaluation service for processing equipment. Under this service, processors can have the sanitary aspects of the design and the cleanability of a machine or process evaluated prior to installation in their facility. A similar service is being developed by AMS for the meat and poultry industry.

Spreading the News

Farmers, shippers, wholesalers, and retailers across the country rely on AMS Market News for up-to-the-minute information on commodity prices and shipments. Market News helps industry make the daily critical decisions about where and when to sell, and what price to expect. Because this information is made so widely available, farmers and those who market agricultural products are better able to compete, ensuring consumers a stable and reasonably priced food supply.

AMS Market News reporters generate approximately 700 reports each day, collected from more than 100 U.S. locations. Reports cover local, regional, national, and international markets for dairy, livestock, meat, poultry, grain, fruit, vegetables, tobacco, cotton, and specialty products. Weekly, biweekly, monthly, and annual reports track the longer range performance of cotton, dairy products, poultry and eggs, fruits, vegetables, specialty crops, livestock, meat, grain, floral products, feeds, wool, and tobacco. Periodically, AMS issues special reports on such commodities as olive oil, pecans, peanuts, and honey.

USDA's commodity market information in Market News is easily accessible—via newspapers, television, and radio; printed reports mailed or faxed directly to the user; telephone recorders; electronic access through the Market News Communication System and the Internet; through electronic mail; and by direct contact with USDA reporters.

Buying Food: Helping Farmers, School Children, and Needy Persons

AMS serves both farmers and those in need of nutrition assistance through its commodity procurement programs. By purchasing wholesome, high-quality food products that are in abundance, AMS helps provide stable markets for producers. The Nation's food assistance programs benefit from these purchases, because these foods go to low-income individuals who might otherwise be unable to afford them.

Some of the programs and groups that typically receive USDA-purchased food include: children in the National School Lunch, Summer Food Service, and School

Breakfast Programs; Native Americans participating in the Food Distribution Program on Indian Reservations; older Americans through the Nutrition Program for the Elderly; and low-income and homeless persons through the Commodity Supplemental Food Program and the Emergency Food Assistance Program. In addition, USDA helps provide disaster relief by making emergency purchases of commodities for distribution to disaster victims.

Once USDA determines that a purchase is appropriate, AMS publicly invites bids, and makes sure that the food it purchases meets quality and nutrition standards. Often, AMS specifies that foods be low in fat, sugar, and sodium. Compliance with these requirements is ensured through testing in AMS laboratories. AMS only purchases products that are 100 percent domestic in origin.

Pesticides: Information and Records

The U.S. food supply is one of the safest in the world, but the public is still concerned about the effects of agricultural pesticides on human health and environmental quality. The Pesticide Data Program (PDP), which is administered by AMS, provides statistically reliable information on chemical residues found on agricultural commodities such as fresh and processed fruits and vegetables, grain, and milk. PDP is a Federal-State partnership where 10 participating States using uniform procedures collect and test these commodities. The information gained helps form the basis for conducting realistic dietary risk assessments and evaluating pesticide tolerances as required by the Food Quality Protection Act of 1996. The Environmental Protection Agency uses PDP data to address re-registration of pesticides. Other Federal agencies use the data to respond more quickly and effectively to food safety issues. PDP's data are also used to support the export of American commodities in the competitive global marketplace and to assess with integrated pest management activities.

AMS also administers the Federal Pesticide Recordkeeping Program, which requires certified private applicators to keep records of their restricted use pesticide applications for a period of 2 years. These records support collection of pesticide use data to help analyze agricultural pesticide use and are used by health care professionals when treating individuals who may have been exposed to a restricted use pesticide. AMS works with State pesticide regulatory agencies and Cooperative Extension Services to provide the regulatory and education aspects of the program.

Helping Farmers Promote Their Products

"The Touch...the Feel of Cotton...the Fabric of Our Lives," "Beef...It's What You Want," "Got Milk?." If you've watched television or read magazines lately, you've probably heard or read these slogans and others for a host of agricultural commodities. All of these promotional campaigns are part of the Research and Promotion Programs that AMS oversees.

Federal research and promotion programs, authorized by Federal legislation, are designed to strengthen the industry's position in the marketplace and to maintain and expand domestic and foreign markets. The programs are all fully funded by industry assessments. Board members are nominated by industry and appointed officially by the Secretary of Agriculture. AMS oversees the activities of the boards or councils and approves budgets, in order to assure compliance with the legislation.

Currently, there are research and promotion programs for beef, pork, cotton, fluid milk and dairy products, eggs, honey, mushrooms, potatoes, soybeans, watermelons, and popcorn.

But, while advertising is one part of these programs, product research and development is also a major focus. Wrinkle-resistant cotton and low-fat dairy products are just two examples of how these programs have benefitted consumers and expanded markets for producers.

New generic commodity promotion, research, and information legislation was enacted as part of the 1996 Farm Bill to make Federal promotion and research programs available to more commodities.

Marketing Orders: Solving Producers' Marketing Problems

Marketing agreements and orders help dairy, fruit, vegetable, and peanut producers come together to work at solving marketing problems they cannot solve individually. Marketing orders are flexible tools that can be tailored to the needs of local market conditions for producing and selling. They have the force of law, and are subject to USDA oversight.

Federal milk marketing orders, for example, establish minimum prices that milk handlers or dealers must pay to producers for milk, depending on how that milk is used—whether fluid milk, ice cream, cheese, or other storable product. Federal milk orders help build more stable marketing conditions by operating at the first level of trade, where milk leaves the farm and enters the marketing system. They assure that consumers will have a steady supply of fresh milk at all times.

Marketing agreements and orders also help provide stable markets for fruit, vegetable, and specialty crops like nuts and raisins, to the benefit of producers and consumers. They help farmers produce for a market, rather than having to market whatever happens to be produced. A marketing order may help an industry smooth the flow of crops moving to market, to alleviate seasonal shortages and gluts. In addition, marketing orders help maintain the quality of produce being marketed; standardize packages or containers; and authorize advertising, research, and market development. Each program is tailored to the individual industry's marketing needs.

Ensuring Fair Trade in the Market

AMS also administers several programs that ensure fair trade practices among buyers and sellers of agricultural products.

Fruit and Vegetable Programs, PACA Branch, administers the Perishable Agricultural Commodities Act (PACA), which promotes fair trading in the fresh and frozen fruit and vegetable industry. PACA extends to produce dealers, commission merchants, and brokers who operate subject to PACA and requires that these entities be licensed.

PACA provides for administrative disciplinary proceedings to be brought against licensees or unlicensed entities subject to PACA that commit unfair trade practices such as bribery, failing to account and make full payment promptly for purchases, misbranding, or making false or misleading statements for a fraudulent purpose. A finding of the commission of these violations could lead to a license revocation or suspension, or the imposition of a civil penalty. Under the PACA, partners in a part-

nership or major corporate officers, directors, and shareholders of a corporation whose PACA license has been suspended or revoked may be determined by the agency to be responsibly connected with the partnership or corporation. A determination of responsible connection will bar the person or firm from licensing and employment by any licensee or entity subject to license for a period of time. The person or firm determined to be responsibly connected has the right to a hearing to appeal that determination. PACA also provides administrative reparation proceedings by which the parties can resolve contract disputes resulting from the buying and selling of produce. Further, PACA provides statutory trust protection for unpaid produce suppliers, whose trust claims have priority over the claims of secured lenders if the debtor files for bankruptcy.

The fruit and vegetable industry needs the protections provided by PACA because of the highly perishable nature of the products involved. Trading in produce is considerably different than trading for a car, a computer, or even grain. When a vegetable grower does not get paid, the product usually cannot be reclaimed before it spoils—or before it has already been consumed. Further, the parties are often located across the country from each other, and the seller has no control over the produce once the produce leaves the seller's possession.

Although PACA was initiated to protect producers, it benefits consumers and the entire produce industry. Over the past decade, AMS has handled nearly 40,000 PACA complaints, not just from growers, but also from grower-agents, grower-shippers, brokers, wholesalers, retailers, and processors. PACA is funded by license fees paid by industry, but the bottom line is that fair trade and resolved disputes mean businesses of any size can operate in a better trade environment and consumers can get a wider choice of reasonably priced, high-quality fruits and vegetables.

The Federal Seed Act (FSA) protects everyone who buys seed by prohibiting false labeling and advertising of seed in interstate commerce. The FSA also complements State seed laws by prohibiting the shipment of seed containing excessive noxious weed seeds. Labels for agricultural seed must state such information as the kinds and percentage of seed in the container, percentages of foreign matter and weed seeds, germination percentage and the date tested, and the name and address of the shipper. USDA also tests seed for seed sellers and seed buyers on a fee-for-service basis to determine quality.

The Plant Variety Protection Act provides patent-like protection to breeders of plants that reproduce both sexually, that is, through seeds, and through tubers. Developers of new plant varieties can apply for certificates of protection. This protection enables the breeder to market the variety exclusively for 20 years and, in so doing, creates an incentive for investment in the development of new plant varieties. Since 1970, AMS' Plant Variety Protection Office has issued more than 4,000 certificates of protection.

The Agricultural Fair Practices Act allows farmers to file complaints with USDA or a U.S. District Court if a processor refuses to deal with them because they are members of a producers' bargaining or marketing association. The act makes it unlawful for handles to coerce, intimidate, or discriminate against producers because

they belong to such groups. USDA, with the cooperation of the Department of Justice, acts to preserve farmers' rights under this act.

Organic Certification

AMS is responsible for developing and implementing an organic certification program, which was authorized by the Organic Foods Production Act as part of the 1990 Farm Bill. Current estimates of organic retail sales total over \$3.5 billion, and there are an estimated 12,000-15,000 farmers who describe their operations as organic.

The goals of the organic certification program are to:

- Establish national standards governing the marketing of certain products as organically produced,
- Assure consumers that organically grown products meet consistent standards, and
- Facilitate interstate commerce in fresh and processed food that is organically produced.

Under the act, a National Organic Standards Board was appointed in January 1992. Its job is to help develop standards for substances to be used in organic production.

In December 1997, USDA issued a proposed rule with a comment period that closed at the end of April 1998. USDA received 275,603 comments on the proposal. A revised proposal will be published in 2000 for further comment.

Direct Marketing and Wholesale Market Development

AMS continually seeks ways to help farmers and marketers improve the U.S. food marketing system. For example, AMS' Federal-State Marketing Improvement Program (FSMIP) provides matching funds to State Departments of Agriculture or other State agencies for marketing research or marketing service projects to improve marketing systems. The aim of the program is to reduce costs or identify new market opportunities for producers, ultimately benefiting consumers through lower food costs and more food choices. Projects include research on innovative marketing techniques, taking those research findings into the marketplace to "test market" the results, and developing State expertise in providing service to marketers of agricultural products. In FY 1998, the FSMIP program funded 24 projects in 18 States for \$1.2 million.

The Wholesale and Alternative Markets Program works to improve the handling, processing, packaging, storage, and distribution of agricultural products. AMS researchers work with local governments and food industry groups to develop modern, efficient, wholesale food distribution centers and farmers markets. AMS also conducts research and outreach on alternative marketing channels for goods produced by small and limited-resource farmers and processors. Agricultural producers, producer groups, shippers, exporters, rural communities, carriers, and consumers all benefit from the analyses, technical assistance, and information.

■ **Fact about farmers markets:**

USDA defines a farmers market as a group of farmers and vendors leasing or renting space in a common facility on a temporary basis, with an emphasis on the sale of fresh farm products, crafts, and other locally produced items. USDA estimates there are currently more than 2,700 farmers markets in the United States.

Efficient Transportation for Agriculture

An efficient transportation system allows consumers access to a wide variety of agricultural products and commodities produced beyond their own localities.

AMS, through its Transportation and Marketing Programs, conducts research on the logistical requirements and constraints involved in transporting and distributing U.S. agricultural products to destination markets by railroads, trucks, inland barges, and ocean vessels, and monitors the adequacy of existing infrastructure to support efficient commerce. The research reports and technical assistance provided by AMS transportation and marketing specialists are designed to help agricultural growers, processors, shippers, and exporters respond more effectively to emerging changes in both the domestic and international marketplace and are specifically targeted at the smaller grower, processor, shipper, or exporter who may lack easy access to relevant market research.

Produce Locally, Think Globally

To remain competitive in today's world, American agriculture has become more global, and AMS has striven to be a strong partner in expanding markets for U.S. agricultural products.

The AMS role in the international marketing of U.S. commodities centers on its quality grading and certification programs, which are user-fee funded. Grading involves determining whether a product meets a set of quality standards. Certification ensures that contract specifications have been met—in other words, that the buyer receives the product in the condition and quantity described by the terms of the contract. AMS commodity graders frequently support other USDA agencies involved in export assistance, including the Farm Service Agency and the Foreign Agricultural Service.

U.S. companies often request certification services when exporting to a country that has specific import requirements. Certification services provided by AMS help avoid rejection of shipments or delay in delivery once the product reaches its foreign destination. Delays lead to product deterioration and, ultimately, affect the image of U.S. product quality. AMS' Quality Systems Verification Program provides independent, third-party verification of a supplier's documented quality management system. The program was developed to promote world-class quality and to improve the international competitiveness of U.S. livestock and meat.

AMS also provides laboratory testing for exporters of domestic food commodities in keeping with sanitary and phytosanitary requirements of foreign countries. To date, this service has been requested by exporters of products destined for Japan, South Korea, and other Pacific Rim countries, South Africa, European Union member countries, and countries of the former Soviet Union.

For selected fruits, vegetables, nuts (including peanuts), and specialty crops imported into the United States, minimum quality requirements must be met. For the most part, however, firms importing agricultural products into the United States use grading services voluntarily. AMS graders are often asked to demonstrate commodity quality standards and grading procedures to foreign firms and governments.

In addition to grading and certification services, AMS market news offices provide information on sales and prices of both imports and exports. Today, U.S. market participants can receive market information on livestock and meat from Venezuela, New Zealand, Japan, Poland, and other Pacific Rim markets, Mexico, Canada, Australia, and New Zealand; fruits and vegetables from France, Great Britain, Bulgaria, Poland, Mexico, New Zealand, and Canada; ornamentals from Germany, France, and Mexico; dairy products from Eastern and Western Europe and Oceania; and a host of products from Ukraine, Kazakhstan, and Russia.

AMS participates in a number of international forums that aim to facilitate world agricultural trade and avoid potential trade barriers. Technical assistance has been provided to countries in Eastern and Central Europe, and elsewhere around the globe, to improve their marketing systems. With improved transportation, distribution, and marketing information systems, these countries will become better customers for U.S. food and fiber products.

Whether at home or abroad, AMS strives to help U.S. agriculture market its abundant, high-quality products. And AMS will continue to work to help U.S. agriculture market its products in growing world markets, while assuring U.S. consumers an abundant supply of high-quality, wholesome food at reasonable prices.

■ Animal and Plant Health Inspection Service: Protecting Agricultural Health and Productivity

Why are the farmers and ranchers of the United States able to produce so much food for the tables of America's consumers?

Of course, there's no simple answer. But one key to this plentiful supply of food can be summed up in a single phrase: "Healthy crops and livestock."

And this is no accident. America's agricultural health is a result of a team effort—good husbandry by farmers and ranchers plus an organized effort to control and eradicate pests and diseases and to prevent the entry of devastating foreign plagues.

Just like frosts, floods, and droughts, pests and diseases can wreak havoc on agricultural productivity, depressing farm incomes and driving up food costs for consumers in the process. While we may not be able to prevent weather-related disasters,